

CHAPTER I

INTRODUCTION

1.1 General Background of the Study

Nepal is a small, poor, landlocked, developing, sovereign, independent and federal democratic country situated in the southern slopes of Himalayas and Asian continent also. It is situated between $26^{\circ} 22''$ to $30^{\circ} 27''$ Northern altitude and $80^{\circ} 4''$ to $88^{\circ} 12''$ Eastern longitude. It has also spread 70 meter to 8848 meter from sea level. China lies North and India lies three sides of Nepal. The total area of Nepal is 147181 square kilometers and out of which 15%, 68%, and 17% has covered by Himali, Mountain and Terai region respectively. It has about 3 Crores populations. Its length is 885 KM and average breadth is 193 KM. China is 65 fold and India is 22 fold great of its area. It has occupied 0.03% area of the world whereas 0.3% area of the Asian continent. Its nearest port is Kolkatta which is 1127 KM far.

Nepal is an agricultural based country. The economic conditions of Nepalese people are very poor. Most of the people can not save their money due to poverty. 30.8% people of Nepal live under the poverty line. Their per capita income is about \$240 which is the lowest in SAARC countries and almost low per capita income in the world.

Nepal is divided into 5 development regions to ensure the successful operation and implementation of balance economic development activities. The country is also divided into 14 zones and 75 districts for administrative and development purposes. Each district has further been divided into smallest administrative units called Village Development Committee (VDC), Metropolitan City, Sub-Metropolitan City and Municipalities. Now, there are one Metropolitan City (Kathmandu), 4 Sub-Metropolitan Cities (Birgunj, Biratnagar, Pokhara and Lalitpur) and 53 Municipalities and 3915 VDC in Nepal.

In Nepal, there exist two types of government. The first one is central government and second one is local government. District Development Committee (DDC), Metropolitan City, Sub-Metropolitan Cities, Municipalities and VDC are local

government, which have been assigned various responsibilities for the development of local areas.

A government of a country has to perform its role effectively. Government requires sufficient revenues to carry out development plans, to handle day to day administration, to maintain peace, security and to launch other public welfare activities. In order to carry out such activities the government collects revenue from various sources, the source of government revenue classified into external and internal sources. The external sources of government revenue are bilateral and multilateral loans and grants (foreign assistance). Foreign assistance (external source) of government revenues are uncertain, inconvenient and not good for healthy development of Nation. Internal sources of the government revenue are tax, fees, fine, penalty, excise duty, customs duty, VAT, sales tax, house and land tax, various registration charges, vehicle tax, income tax and internal loans etc. The Government collects revenue through taxation is main source of government revenue since it occupies the most important place in the government treasury.

Taxation is though as most powerful tool for government for raising revenue. A country develops through taxation. It is very helpful to equalize the distribution of national economy and to reduce disparity in the distribution of wealth, income and to maintain economic stability.

According to Seligman "Tax is a compulsory contribution from a person to the government to defray the expenses incurred in the common interest of all without reference to special benefit conferred"

According to Bastable "A tax is a compulsory contribution of wealth of a person for the service of public power".

On the basis of form, economists have divided taxes into two categories direct and indirect. Especially, these taxes are based on place of payment. Direct tax is actually paid by a person on whom it is imposed formally, while an indirect tax is imposed on one person but paid by another person partly or wholly. Direct taxes are levied on income and property. The direct taxes have been used to bridge the gap of income and

wealth inequality in society. The indirect taxes are generally imposed on consumption of goods and services. Some of direct taxes are income tax, interest tax, property tax, death tax, vehicle tax , gift tax etc. and some of the indirect taxes are sales tax, excise duties, value added tax (VAT), entertainment tax, hotel tax, customs duty etc.

Property tax is direct tax that is imposed on individuals or owner's house and land. In ancient time, including Rome was in the form of tributum or inheritance tax. In modern time too, Property taxes are introduced in European countries. Right now, property tax has been major source of revenue of most of cities of the world. In Nepalese context, property tax is named house and land tax.

Oxford Advanced Learners' Dictionary (1996) "A thing or things that are owned by some body. In any kind of assets such as building, land, vehicle, silver, gold, jewelry, furniture, plant and machinery, equipment etc owned by someone is property."

The property tax is compulsory payment to the public authority which is based on the capital value of property. Property Tax Act, 2047 has mentioned property as cash or kind and has transferable ownership. It includes movable and immovable property and includes bank account of a tax payer and investment. So, the property tax has a great potentiality of source mobilization on the developing countries. Legally, all property can be divided into two classes i.e. personal property and real property.

After the introduction of Local Self-Governance Act in 2055, property tax is given to local bodies. There are two variant of property taxes house and land tax and unified property tax. Local bodies i.e. VDCS and Municipalities have right to collect Property Tax whereas the right of collecting unified property tax is given to Municipalities.

Kathmandu is the capital of Nepal. It is only one Metropolitan City among 4 Sub-Metropolitan Cities and 53 Municipalities. The main source of collecting revenue of Kathmandu Metropolitan is only property tax. KMC was established as a city of sanitation unit (Saphai Adda) in B.S.1976. Later on, it was changed to Municipality office during the premiership of Bhim Shamsheer J.B. Rana in B.S.1988. After the destructive tremor of 1990B.S. Modern urbanization was started and roads were planned for the first time municipality office distributed the land plots in concession

rates to people. During the premiership of Padma Shamsheer J.B. Rana a city Municipality Board was formed but it could not function and all representatives resigned. After the democracy movement of B.S.2007, Municipality Act was passed and Kathmandu City was divided into 18 sectors and 18 members were elected to form the Municipality Board. On 15th Dec, 1995, Kathmandu Municipality has been elevated to Metropolitan status under the provision of article 6 of Municipality Act, 2048

KMC is the cosmopolitan heart of the Himalayan Region and the gateway to Nepal. It has a glorious history going back two thousand years, and a refined culture that ranks among the highest in Asia. It is also a modern financial and business hub, exotic tourist destination, and a sacred goal for pilgrims. Kathmandu City lies at an altitude of 1310 meters above sea level. It is only one Metropolitan City over Nepal. Kathmandu Metropolitan City was founded in tenth Century. It has 35 no. of wards. The population of this city has about 10 lakhs of total population. Population density of this city is around 13225 square kilometers, per capita income of city's people is equal to \$360. It has absolute extreme temperature. Hinduism and Buddhism are two types of major religions followed by their people. Main economic activities of this city are trade, tourism, carpet, garment, cottage industries and manufacturing industries. Bagmati, Bishnumati, Dhobi Khola, Shamakhushi, Tukucha, Bhauch Khushi, Balkhu, Manamati are the main rivers of Kathmandu Metropolitan City. Total numbers of health services of this city are 391. There is only one airport named Tribhubhan International Airport. Durbar Square, Swayambhunath, Pashupatinath, Bouddhanath is the most famous world heritage sites lies in this city. The traditional customs, festivals, art and literature are all religious in character. KMC's location on a key Asian trade route has exposed it to varied influences from ancient times and they have further enriched local artistic traditions.

KMC is part of Sthaniya Bikash Mantralaya. The Mayor is the head of the Kathmandu Metropolitan City, who is elected for a five years team. The Deputy Mayor, who is also elected for a similar period or time. The residents of Kathmandu Metropolitan City also vote for the ward chairperson and five ward members (including a woman member) in each of the 35 wards within the KMC. Of the thirty-five wards, areawise ward no. 14 is the largest with an area of 418.2 hector and ward

no.26 is the smallest. The Metropolitan Council of KMC consists of 177 elected representative and 20 nominated members. The Council meets to review progress, approve the annual budget and make major policy decisions. There is a Chief Manager, who is coming from Ministry of Sthaniya Bikash Mantralaya and handles the whole system of KMC .Nowadays, in Nepal political Status is just like a play of seesaw. In absence of the political members, Chief Manager is automatically making the head of KMC.

The Metropolis is responsible for plans preparation, supervision and execution of urban development activities. There is an executive secretary and an assistant executive officer deputed by Ministry of Local Development. There are 2238 staffs to look after the day to day work in this Metropolitan City. There are fourteen departments in Kathmandu Metropolitan City office. They function to ensure smooth operation of the institution and to deliver varied urban services to the city dwellers. The departments are divided into various sections.

1.2 Focus of the Study

The main focus of this study is to examine and analyze the role of property tax in revenue collection in KMC. The other specific focus are to know the problems relating to house and land revenue, to find out the contribution of house and land (Property) tax in total revenue of KMC, to study about the structure and trends of house and land tax and how to recommend measures for the improvement of house and land tax administration in KMC ?

1.3 Statement of the Problem

The prime concern of every nation of the world is economic development. Under developed country like Nepal are facing various problems in the process of economic development. For the economic development sufficient resources are needed. About 30.8% of total population is below the poverty line.

The majorities of people have out of reach to get basic need. Few rich people have captured major economic sources and they are under taxed either because of tax avoidance or evasion and most of the poor people suffer from commodity tax. Before

Local Self Governance Act, 2055, all tax was collected by the central government and only octroi duty was allowed to collect to local bodies. At present octroi duty is abolished and central government collect 1.5% of custom duty for local development fee but this is not stable in future because the country has been entering into globalization and which deduct tax rate, in this condition only property tax increased to develop local level so, it is one of the problem.

For the economic development of the country, contribution of property tax especially house and land tax is equally important as other taxes. However, there are many problems involving in property tax. Among the various problems some are competent and sound revenue administration, lack of information or computerized system, lack of trained and skillful personnel's poor tax paying habit of tax payers, inequality or minimum valuation of house and land for different purpose, corruption and unfair duties and other facilities.

Nepal has been facing various problems for the implementation of property taxation. In the under developed country like Nepal, Firstly the Government inefficiency of its dependent on the political pressure is far from expectation. In this condition, specific statements of problems are as:

- What are the emerging problems relating to house and land revenue?
- What are compositions of house and land tax?
- What is the contribution of house and land tax in total revenue of KMC?
- What is the structure and trends of house and land tax?
- How to recommend measures for the improvement of house and land tax administration in KMC?

1.4 Objectives of the Study

The main objectives of this study are to examine and analyze the role of property tax in revenue collection in KMC. The other specific objectives are as follows:

1. To analyze the problems relating to house and land revenue.
2. To find out the contribution of house and land (Property) tax in total revenue of KMC.
3. To study about the structure and trends of house and land tax.

4. To suggest and recommend on the basis of major findings.

1.5 Significance of the study

The study is useful to economists, planners, tax administrators, government researchers, students, teachers and other related persons. This study is about the revenue collection system in KMC. A country needs a lot of resources to implementation of plan or program. Taxation is not only the means for raising resources but it may be bring about remarkable change in the social and economic structure of the economy as well as change in social attitude of the people.

1.6 Limitations of the Study

Any research study is limited by the time period, area of study information and data. I have tried to study in detail about the topic but this study is not also far from limitations. The main limitations of this study are as follows:

1. This study has been performed in limited time and resources.
2. This study only focuses on House Land tax in KMC.
3. This study is fundamentally based on secondary data and information. However, some primary data also used wherever and whenever needed. Primary data are acquired mostly by using the questionnaire and opinion survey from the different related persons like tax experts, teachers, tax administrator and tax payers.
4. The views of respondents are collected from KMC especially.
5. This study limited only 6 years data from F/Y 2060/061 to 2065/066
6. The problem of non-availability of required resource.

1.7 Organization/Design of the study

The entire study has been designed into five main chapters. They are:

Chapter One Introduction

This chapter includes general background of the study, focus of the study, statement of the problem, objectives of the study, significance of the study, limitations of the study and organization of the study.

Chapter Two Review of Literature

This chapter is done to know what research had been done in the related topic in previous days and what is to be done at present or in future. This chapter has been divided into Conceptual framework provision regarding property tax, Property tax in Nepal and Current Provisions of House and Land Tax in Kathmandu Metropolitan City and Review of earlier studies.

Chapter Three Research Methodology

This chapter includes research design, population and sample of study, Nature and source of data, Data collection Procedure and Tools and Techniques used for analysis.

Chapter Four Presentation and Analysis of Data

This chapter attempts to analyze and evaluate data with the help of analytical tools and interpret the result oriented. This also included structure of total income from tax and other sources of KMC, total income from property and other taxes, studies about contributions of house and land tax in total revenue of KMC, Budgeted and actual house and land tax of KMC, studies about trend of house and land tax, an empirical analysis and major findings from the primary data

Chapter Five Summary, Conclusions and Recommendations

The fifth chapter consists of brief summary, conclusion and recommendation of the study. Bibliography and appendices have been presented at the end of the study.

CHAPTER II

REVIEW OF LITERATURE

This chapter is divided into two parts -one is the conceptual part and the other is the review of the earlier studies, which are described as follows:

2.1 Conceptual Framework and Provisions Regarding Property Tax

In the present context, property tax occupies one of the most important sources of revenue in our country. Whether it is developed or under developed countries, property tax is regarded as the most important tool for mobilizing internal resources whether the contribution of property tax to the government revenue may be high or low, it has got much more important. House and Land tax is imposed only on house and land (property) situated at Municipality. Provision of property tax in Nepal, it's proposed and implemented in Nepal described in the chapter. To know the term 'Property tax', it is better to define the term 'Property' and 'Property tax' separately.

2.1.1 Meaning of Property

In general sense, property refers to car, farm, watch or any thing else owned by the people. Property also refers to any types of capital goods that are owned. For example, machinery, raw- materials and finished products are property. There are two ways to classify property - real property including land and things permanently attached to it, such as building etc. and personal property including all other kinds of property, such as furniture, stock and harvested crops. It is much easier to transfer personal property than real property. Real property must be transferred in writing but personal property may be transferred orally. However, personal property generally passes into the hands of the estate administrator who sells it and divides the process among the next of kin, unless one makes other provision for disposing it. In brief, real property consists of immovable and personal property of movables.

2.1.2 Real Property

Real property consists mainly of land and building (or what are called improvements on the land). Land and improvements are very important in taxation. Land values and building values are subject to different conditions. Land may increase in value while

the buildings on it are decreasing in value. Different methods are used in valuating the two kinds of property, for instance, depreciation must be considered in the case of building and but not for valuating land. (lal, BB,1991:758)

2.1.3 Personal Property

Personal property is classified into tangible and intangible. Tangible personal property includes a great variety of goods: merchants and manufacture's stocks (inventories,) business furniture, fixture and machinery, tool and pattern: rolling stock of railway: from machinery; harvested crops; logs; household furniture, clothing, jewelry and other personal effects. (lal, BB, 1991:758)

The second category of personal property is intangible property. This class consists; stocks, mortgages, deposits, money and book credit, copyrights and patents goodwill, franchise value. Intangible property can easily escape taxation whether by migration or by hiding. Many estates classify intangible separately and apply a low flat rate tax to them as a substitute for the general property tax. (lal, BB, 1991:759)

2.1.4 General Property Tax

General property tax is a tax on all wealth tangible and intangible which possesses exchange value. The chart is given below. (Singh, 1991: 423),

Figure1. Items of Property for Tax Purpose:



2.1.5 Property Tax

Property taxes are compulsory charges/levies which relate specifically to governorship, occupation or development of land and building. They are mostly levied on capital value or annual rental value (real or imputed) and are collected by local authorities. This property includes real states such as homes, building and vacant land. It also includes personal property such as home, furniture, stock, and bonds and auto mobiles etc.

Tax is the compulsory payment to the government. The tax which is imposed on personal possession is known as property tax. Property taxation has a great potentiality of resources mobilization in the developing countries. In these countries, the process of economic development tends to be accompanied by a boom in real states and investment in housing in urban area.

The property tax is the compulsory payment to the public authority which is based on the capital value of the property. In law, the courts defined property tax as the right to possession, enjoyment and disposition of all things subject to ownership.

In the United States and Canada, only provincial state and local government laid property taxes. The federal governments of the two countries do not use these types of tax. Since the early 1930's, the state has received less and less property taxes. However, the tax continues to be an important source of revenue for local government.

The property tax rate varies depending on the tax revenue, needs of the government. The rate is usually based on the property's assessed valuation. This is a certain percent of the property's total value as determined by the government property is rarely taxed at its full market value.

It has come to notice that some persons have been trying to avoid personal wealth tax liability by performing closely held companies to which they transfer many items of their wealth, particularly jewelry, billion of real estate.

As companies are not chargeable to wealth tax and valuation of the shares of such companies does not also reflect the real work of the assets of the company. Those who held such on productive assets in closely held companies are able to successfully reduce their wealth tax liability to a substantial extent. Tax may be levied on flow such as income and expenditure or on stocks such as wealth. Wealth taxes may be imposed in the holding of wealth or on transfer of assets and transfer by debt.

Wealth tax occupies a dominant position in the tax structure of local bodies. They are justified on two grounds: benefits and ability to pay since property received certain special benefits from government, it should be taxed for these benefits. Wealth taxes based on benefit consideration are in rare type property taxes based on benefit consideration are in rare type property taxes while ability to pay consideration point to a personal tax on net wealth.

2.2 Property Tax in Nepal

The history of property tax in Nepal is not so long. Finance Act, 2016 had empowered the government to levy property tax. Property tax act 2017 was enacted to collect tax from property. Urban house and land & foreign investment were taxed at the same rates under property tax act 2017. Under the provision of property tax act, NG/Nepal framed property tax act 2019 was enforced and subsequently, house and land tax rules 2020 was enacted which repeated the existing property tax act, 2017. Earlier central government of local self-governance act, 2055 local bodies (VDCs and Municipalities) imposed property taxes within their boundary. Currently house and land tax act 2019 property tax act 2047 and local self-governance act, 2055 had been implemented in the collection of property tax. Local bodies are levying property taxes under local self-governance act and rules.

2.2.1 Collection, Realization and Refund of Tax

Since the integrated property tax and vehicle tax are not exclusively practiced in some municipalities, tax collection and realization with respect to the house and land tax and revenue or land tax are discussed hereunder. Local self-governance act, 2055 has made the provision for collection, realization and refund of tax separately to the municipalities and VDCs.

2.2.1.1 Collection of Tax

Local self-governance act, 2055 has empowered VDCs, Municipalities and DDC to levy taxes. The VDCs and Municipalities in the form of land revenue, house and land tax, integrated property tax and vehicle tax levy the property taxes.

(1) In the Case of Village Development Committee (VDC)

The VDC may levy the property taxes as follows in its area at the rate approved by the village council, not exceeding the prescribed rate:

- House and land tax: On the basis of size, type, design and structure of the house within the area of VDC, it may impose annual house and land tax on each house and compound.
- Land revenue (Malpot) or land tax: The VDC may levy revenue or land tax on the land within its area. However, 25% or revenue collected from land revenue or land tax has to be handed over to the District Development Committee (MLD, LSG, 2055: section 55).

(2) In the Case of Municipality

The municipalities levy the following property taxes within its jurisdiction:

- House and land tax: Based on size, type, design and structure of the house, the municipality may levy annual house and land tax on each house and compound as approved by the municipal council.
- Land revenue or land tax: The municipality may impose land revenue and land tax as prescribed on the land within the municipal area.
- Integrated property tax: The municipality may levy an integrated property tax within its jurisdiction at the prescribed rate (MLD,LSG,2055:section 136-140)

According to rule 140 of local self-governance regulation 2056 the maximum and minimum limits of the rate of land revenue and house and land tax that may be levied by a municipality within its area shall be as prescribed in annex-8 of the regulation. As per rule 144, the minimum and maximum rates of the integrated property tax that may be levied by a municipality within its area shall be as prescribed in annex-12 of the regulation.

2.2.1.2 Recovery of Tax

The fine and punishment imposed by the village development committee or by municipality are recovery by section 260. According to this process, if any person does not pay any tax, duty or charge levied or contracted or any other amount due and payable to the local body, the district administration office recovers it as government dues (MLD, LSG, 2055:71 and 166).

2.2.1.3 Refund of Tax

The municipality is not entitled to collect any kinds of taxes contrary to the act or the rules. If the municipality collects such taxes, Nepal's government may order to stop such collection and to refund the amount of taxes so collected to the connected person (MLD, LSG, 2055:section 147).

2.2.2.1 Penalties, Actions and Appeals

Penalties, actions and appeals with respect to the house and land tax and revenue or land tax are discussed here under.

2.2.2.2 Penalty and Actions

The provisions for fine and penalties if anyone does not pay any taxes, fees, charges, duties, tariffs and any other amount due and payable under the act, the VDC and Municipality penalize the person (MLD, LSG, 2055:section 70 and 165).

(1) In the Case or VDC

If any person does not pay the taxes imposed or levied by the village development committee, it may punish such person with a fine of up to Rs.500 and may stop the service made available by the village development committee in regard to such person (MLD, LSG, 2055:section 70.2).

In case, any person commits any in contravention of the act, of the rules, Bye-laws or orders made under the act, such person shall be punished with punishment, if any prescribed elsewhere in the act; and if punishment is not so prescribed the village development committee may punish such person with a fine up to Rs.500 (MLD, LSG, 2055: section 70.3).

If any person, who has already been punished under this section, commits the same offence again, the village development committee may punish such person with two-fold punishment for each instance (MLD, LSG, 2055: section 70.4).

(2) In case of Municipality

In any one does not pay the taxes imposed by the Municipality, it may take the following actions (MLD, LSG, 2055: section 165.2).

- ✓ If not anyone pays the taxes, which may be collected under the act, the municipality may write to the concerned body to stop the transfer of ownership of the movable/immovable property of such person, may seal or lock up the trade, profession and withhold the transactions including export and import.
- ✓ If the amount, which the municipality is entitled to collect under the act, could not be covered up even from the stoppage of the house, land, transaction or assets or the concerned person, the municipality may recover it by auctioning the person house, land or other assets, if any.
- ✓ According to section 165.5 if any one does not pay any taxes under the act, the municipality may stop the service provided by it, in regard to such person.
- ✓ If anyone commits any action in contravention of the act or the act or the rule by laws or orders made under the act, such person is punishment with punishment, if any prescribed elsewhere in the act, and if punishment is not so prescribed the municipality may punish such a person with a fine of up to Rs.1000 (section 165.5).
- ✓ As per section 165.6, if anyone who has already been punishment under this section commits the same offence again. The Municipality may punish such person with two-fold punishment for each instance.

2.2.2.3 Appeals

In case, any property holder is not satisfied with a punishment imposed by VDC or Municipality the local self-governance act, 2055 has made provisions of appeal against such punishment.

As per section 70.5, any party who is not satisfied with the punishment by the VDC, may appeal to the concerned district court within 35 days from the date of knowledge of such decision.

Similarly, according to section 165.7, any party who is not satisfied with the punishment imposed by the municipality may appeal to the concerned district court within 35 days of the knowledge of such decision.

2.2.3 Property not Included in Valuation for Tax Purpose

Some of the properties, which cannot be used for valuation, are mentioned in local self-governance act. The following properties are not included in valuation for tax purpose (*Source: Revenue Dept. of KMC*).

1. Growing Crops:

Grass or standing trees on agricultural land, the growing crops, grass or standing trees are excluded from the purpose of the term of assets.

2. Animals:

Any domestic animals such as buffaloes, cows, oxen and others but the act does not clear the types of animals.

- Any agricultural animals such as bullocks, cows and buffaloes.

- Any performing animals in circus such as chimpanzees, bears, lions, tigers.

- Any drought or transport: Animals as mules or horses.

3. Amount deposited for life insurance:

In Nepalese act, there is no certain information about insurance, according to Indian concept; it should be interested for assesses in any policy of insurance.

4. Patent and Copyright:

The patent or copyright is exempt from property tax. The patent or copyright is acquired by an assessee under a contract from the original author or the inventor or it is acquired by way or inheritance or otherwise no exemption is allowed in such cases.

5. Books and equipments for study.

6. Pots and equipments except valuable metals.

7. Wearing apparel provisions and other clothes for personal or household use of the assessee.

8. Furniture and equipments (Except T.V., V.C.D., Deck, Refrigerator, Washing machine, Camera etc.). They are exempted for developed countries like India. In the poor society, it is assumed highly luxury goods.

9. Tools, Machinery and equipments used for professional works.

10. Simple equipments of decoration of house (Except valuation metal equipments).

11. Singing and dance equipments for daily used.

12. Equipments for physical education.

13. Equipments and tools for first aid which are kept in houses.

14. Transportation equipments as cycle, rickshaws and other simple media.

15. Weapons and tools used for personal safety.

16. Equipments related to arts and photographs.

According to Local Self- Governance act 2055/56, the assets exempt from tax is:

1. 10 Tola of gold with jewelries.

2. 200.Tola of silver with jewelries.

3. Stock in trade.

4. Industrial mills, Machinery tools and equipments building and warehouse of industries areas.

5. Invested shares and debentures.

6. Loan issued by HMG which is declared exemption from these act.

7. Area for house of assesses 300 sq. ft.

Similarly, according to local self-governance act 2055/56, section 146, following rebates are:

1. Goods and equipments for social welfare.

2. Land owned by farmers.

3. The exemptions limit for land are:

-10 Bighas for Terai area.

-25 Ropanies for Kathmandu Valley.

-70 Ropanies for other hilly area.

4. Land covered by Royal Palace.

5. The land related to NG.

6. Land and building for hospital.

7. Educational institutions.

8. Land related to non-profit making organization.

9. Foreign agencies organization.

10. Pound, Electricity house, Airport, Bus park etc.

2.2.4 Types of Property Tax Exemptions

Property tax exemptions are exempt for social reasons such as homesteads, churches, lodges, private school some for development purposes such as new industries, some for fiscal or administrative reasons such as household furniture, some to avoid double taxation such as credits. The tax exempted intangibles and certain types of tangible property are as follows: (*Source: Revenue Dept. of KMC*).

- 1) Homestead exemption: Homesteads includes any dwelling occupied by the owner as a residence the site upon which the dwelling is located, and varying amounts of surrounding land. The exemption may include not only the land and improvements used as a place to live but also considerable property used to make a living. Homestead exemptions depend on a number of variables, such as the degree of home ownership, area and value of homesteads and the ratio of residential property to total property.
- 2) Exemption of property used for religious and philanthropic purpose: Most of the governments exempt educational, charitable, benevolent and religious institutions from property taxation. In the case of religious organizations, exemptions are church and a non-profit making organizations etc.
- 3) Exemption to encourage economic activity: Exemption to encourage economic activities are cash bonuses, loans, donations of site and building or their provision at nominal rentals, guarantees of favorable conditions and so on.
- 4) Municipal exemption policies: Municipality also provides exemption to individuals to attract the economic activity within the municipality.

2.2.5 Rebates from Property Tax

Rebates from property tax are mentioned in local self-governance act. From the property tax, the following incomes are rebated.

1. Loans and debenture taken from registered institutions.
2. Amount received from the life insurance.
3. Price received from social work.
4. Amount received from provident fund.
5. Amount received from nagarik investment.
6. Amount received from personal annuity.
7. Profit or dividend received from kingdom's commercial institutions.
8. Amount of debenture received from NG/N.
9. Amount received from foreign government.

(Source: Revenue Dept. of KMC)

2.2.6 Problems for Efficient Tax Administration:

There exists problem because of the poor taxpayer and lack of tax education. Therefore, the local government would make sure them by teaching tax education. There are other factors like, delay in assessment and collection, unnecessary out side pressure and lack of proper incentives to tax personnel's, a good tax system must have certain administrative qualities including certain rules, compliance and collection cost enforceability and acceptability. Although there has been significant progress in the area of improving the elasticity and efficiency of tax system, still the major source of revenue collection is land based. (Source: Revenue Dept. of KMC).

2.3 Current Provision of House and Land Tax in Kathmandu Metropolitan City

The current provisions of house and land tax in Kathmandu Metropolitan City are as follows:

2.3.1 Necessary Documents and Duties for submitting Required Documents

Following documents are required to submit house and land tax return in Kathmandu Metropolitan City. (Source: Revenue Dept. of KMC).

1. If any couple has separate land and house ownership, statement should be submitted jointly.
2. If there is more than one own, statement should be submitted in the name of any one owner.
3. If any person has various land and houses in the Metropolitan area, statement should be submitted to related ward office of each land and houses.
4. People having liability to pay house and land property tax, it should submit the as per act.
5. If there is any increase/decrease in house and land property, it should be reported to the ward office.
6. Calculated tax as per submitted statement should be deposited in bank account of within 35 days.
7. The necessary documents are:-
 - Copy of approval of new house map-1
 - Copy of approval of new flat map if any-1
 - Copy of land owner's citizenship certificate-1

- Copy of land ownership certificate-1
 - Field inspection report by technician for house constructed without approval before provision of Metropolitan system-1
 - Copy of tax receipt if any submitted to tax office-1
8. Tax officer holds right for following action if required:
- Necessary examinations and review of statements by tax payer by issueing notice for filling and taking interview.
 - Field inspection.

2.3.2. Process of Tax Assessment

To make the taxpayer easier Kathmandu Metropolitan City has provide the certain process for tax assessment. Necessary documents should be registered in house and land tax book. Process of tax assessment covers the process as follows:

(Source: Revenue Dept. of KMC).

1. Tax assessment is done on the basis of house and land valuation.
2. If owners are multiple persons, tax assessment should be done in the name of multiple owners like flat owners.
3. House valuation is done on the basis of size of house, area of land and depreciation rate.
4. Different types of house should be valued in different ways.
5. After paying house and land tax, tax clearance certificate should be issued and keep the records.

2.3.3. Rebates for Taxpayers in KMC

Rebate for tax payer are as follows: *(Source: Revenue Dept. of KMC)*

- (1) 10% discount for paying tax before last of Shrawan.
- (2) No penalty for paying tax till Ashwin last.

2.3.4. Penalty System of House and Land Tax

Penalty provisions are as follows: *(Source: Revenue Dept. of KMC)*

1. If any person does not follows rules and regulations regarding paying tax the penalty is Rs.1000.
2. If a person submits false document invoices or wrong documents till Ashwin or every year, the penalty is Rs.5000.

3. If a person does not follow direction of tax officer penalty is Rs.500.
4. If tax is not deposited within 35 days, 15% additional amount per annum shall be charged on assessed taxes.

2.3.5. Exemptions of House and Land Tax in Kathmandu Metropolitan City

Exemptions of house and land tax in Kathmandu Metropolitan City are as follows:

1. House and Land occupied by NG/Nepal.
2. House and Land owned by Municipalities and District Development Committee.
3. House and Land related to Embassies, Diplomatic Mission etc.
4. House and Land related to not profit making educational institute and house and land related to public enterprises.
5. Land related to crematorium, airport, stadium, garden, park etc.

(Source: Revenue Dept. of KMC)

2.3.6. Documents Required for Property Valuation in KMC

Documents required for property valuation in Kathmandu Metropolitan City are as follows: *(Source: Revenue Dept. of KMC)*

1. Application form-1
2. Bill of land tax clearance-1
3. Copy of house and land tax clearance certificate-1
4. Field inspection report of Ward office-1

2.3.7. Procedures of Valuation in KMC

There are different rate for house and land. Tax is paid after the valuation of house and land as per the rules and regulations. For the tax calculation following methods is used. Table 2.1 shows the methods of valuation of house and land in KMC:

Table No.2.1

Rates for Valuation of Building in KMC

Classification of house	Total life in year	Depreciation rate per year in (%)	Average cost per sq. ft (in Rs.)
R.C.C. frame structure	100	0.75	635
Kiln bricks(Stones) with cement mortar	70	1	575
Kiln bricks(Stones) with mud-mortar	30	2	525
Green(Raw) bricks with mud-mortar	25	3	450

(Source: Revenue Dept. of KMC)

NOTES:

1. Classification of house are Green (Raw) bricks with mud-mortar, kiln bricks (Stones) with mud mortar, Kiln bricks with cement mortar and R.C.C. frame structure.
2. The main auditorium of cinema hall is valued by applying a 25% discount in aforesaid rates.
3. House and land of green (Raw) brick with mud mortar and thatched roof or house made of bamboo or wood with thatched roof is not valued for the purpose of house and land tax.

2.3.8. Rebate of House and Land Tax in KMC

Rebates of house and land are calculated as mentioned in the local self-government act. Local self-governance has provided the provision for rebated with value of the house and land. Table 2.2 shows the rate of house and land tax in Kathmandu Metropolitan City.

Table No: 2.2
Rate of House and Land Tax in KMC

Name of House and Land	Rate of Tax (in Rs. and %)	Amount (Rs.)
First up to Rs.10 lakhs	Nil	Nil
Next up to Rs.10 lakhs	300	300
Next up to Rs.30 lakhs	0.05%	1500
Next up to Rs.50 lakhs	0.25%	12500
Next up to Rs.1 crore	0.5%	50,000
More than Rs.1 crore	1.5%	-

(Source: Working Paper of KMC)

In Table No. 2.2, rate of tax in in Rupees and Percentage and amount are shown in right side. Value of house and land is shown in the left side. If the value of house and land is up to 10 lakhs, he/she should not have to pay tax. If one has value of house and land up to 20 lakhs, he/ she must pay Rs.300. Similarly, one has value of house and land next up to 1 crore after exemption of Rs.10 lakhs, he/she should have to pay Rs. 50,000.

2.3.9. House and Land Tax Calculation related to KMC

In Nepal, local self-governance act, 2055 has been applicable in calculating property tax the example of calculation is shown in Annex-III

2.4. Review of Earlier Studies

In the present world, property tax occupies one of the most important sources of revenue of countries. Therefore, it is more important all over the world. There are various studies carried out by different institutions and individuals. The purpose of this review is to bring in light in brief the important work done on property taxation in Nepal. So some of the literature related to property tax has been reviewed in the following paragraph.

2.4.1. Review of Related Books

Property tax plays a vital role in many countries. Nowadays, it is important all over the world. The purpose of this review is to bring in light in brief the important work done on property taxation in Nepal. So some of the literature related to property tax has been reviewed in the following paragraph.

Bhattarai and Koirala (2060) wrote a book and entitled of "**Tax laws & Tax Planning.**" In this book, they have mentioned about the concessions, rebate & allowances to taxpayers, which can reducing tax liabilities. This book is also important to know legal provisions to plan for taxpayer's beneficial. Tax planning is to take full advantages of those facilities.

Kandel (2006) wrote two books on taxation-one book entitled "**Tax Laws and Planning**" and another "Nepal ko Bartaman Kar Byawastha". For BBS 3rd year, he has presented practiced as well as theoretical aspects on taxation in these books.

Dhakal (2001) has presented enlarged and modified edition of his book named "**Income Tax and House & Compound Tax :Laws & Practice**" in this book, he has described the provision made under income tax aid the methods of income tax assessment have been described with numerical examples. His book is informative rather than analytical. His book is more helpful to know about general information & provisions made under Income Tax Act, 1974.

Malik (2003) published a book named "**Nepal ko Aadhunik Aayakar Pranali**". This book is very much useful to anyone who is interested in the subject of taxation. In this book, Malik has explained tax act, 2058 with examples wherever necessary. He has presented the complex act in simple manner so that it will be easy to

understand the act. He has shared his expertise in his book. His book is descriptive and analytical. All the Provisions in the act have been clarified in simple language. In some cases, he has also compared the provisions of the old act and new act.

Adhikari (2003) wrote a book entitled "**Modern Taxation in Nepal: Theory & Practice**". This book has been written according to the syllabus requirement of different faculties. Especially, BBS 3rd syllabus of Tribhuvan University, has been taken into consideration income tax act, 2058 and amended by Finance Ordinance, 2060 has also been include. Theoretical as well as practical aspects have been explained in the book.

2.4.2. Review of Thesis

Under this section, various master degree thesis related to this study has been reviewed. Some of them are as follows:

2.4.2.1. Study by Mr. Rishi Ram Adhikari

In 2007, Mr. Rishi Ram Adhikari, in this thesis entitled "*Municipal Tax in Nepal*" (A Case Study of Lalitpur Sub-Metropolitan City), has mentioned about importance of property tax in Nepal. He has also justified the contribution of enterprises to the municipality. The major problems existing in Nepalese tax system identified by him are poor revenue collection efficiency, lack of appropriate legal action against defaulters, ineffective collection procedure etc. He has suggested some improvement regarding municipal tax for the collection of tax in Nepal.

2.4.2.2. Study by Mr. Prajit Kumar Timalsina

In 2007, Mr. Prajit Kumar Timilsina, in his thesis "*Taxation in Nepal*":Special reference to land revenue and land registration tax, has started that the problem of systematic record of land registration in Nepal. He has also explained about need of classification of land according to its uses and area. Without the classification of land, the collection of land revenue through such land will be not justifiable and equitable. He has suggested that is necessary to restructure the policy regarding land registration tax.

2.4.2.3. Study by Mr. Narendra Lal Kayastha

Mr. Narendra Lal Kayastha, in his thesis entitled "Taxation income and property on Nepal" has tried to analyze the contribution of income and property tax to overall revenue generation in Nepal and has also pointed out the drawbacks of the system at that time along with the policy suggestion to remove them. This research is quite old back from 1974 when the LSG was not introduced. The lay out of thesis itself is different from today. His study on legal and administration aspect was also helpful to find out some relative information regarding income tax system of Nepal are income tax evasion at high level and greater role of indirect tax in tax revenue. These problems are still considered as the major problems in Nepalese income tax system.

2.4.2.4. Study by Mr. Sudip Prasad Timalisina

In 2062 B.S., Mr. Sudip Prasad Timalisina, in this thesis "Taxation in Nepal: Special reference to land revenue, has mentioned about importance of land tax in Nepal". He has also cleared explained about the land tax development from ancient to modernize land tax system in Nepal. The major problems existing in Nepalese land tax system identified by him are the inefficient land revenue administration, lack of modern cadastral survey, up to date records, inequality of minimum valuation of land for different purpose, land classification not made on the basis of it's productivity etc. He has suggested some improvement regarding land tax and administration for the collection of tax in Nepal.

2.4.2.5. Study by Ms. Alka Adhikari

In 2058 B.S., Ms. Alka Adhikari has done her thesis "A Study on house and compound (property) tax" (specific reference to integrated property tax in Dharan Municipality). In her research, she has stated that the collection of property tax under LSG act, 2055 is good measure and suitable means for mobilizing internal resources. She states that there are two types of property tax first one is called house and land tax and other is called Unified property tax. The collection of house and land tax is collect by the municipalities and village development committee and later one was only collected by municipalities. She also found out that in Dharan Municipality, there was wide spread tax evasion. So she stressed that government should formulate a policy to check the tax evasion. She recommended that tax administration must be

enough efficient for the improvement of tax administration to simplification of tax laws and policies.

2.4.2.6. Study by Ms. Rekha Humagain

In 2009, Ms Rekha Humagain, in this thesis entitled "*House and land (Property) Tax in Kathmandu Metropolitan City*", has mentioned about importance of property tax in Nepal. She has also justified the contribution of enterprises to the municipality. The major problems existing in Nepalese tax system identified by her are poor revenue collection efficiency, lack of appropriate legal action against defaulters, ineffective collection procedure etc. She has suggested some improvement regarding metropolitan tax for the collection of tax in Nepal.

2.4.3. Review of Research Reports

Mr. Bhawani Dhungana and Ms. Bina Pradhan (1973) of an institution center for economic development and administration (CEDA) surveyed the property taxes for the first time and performed a general account on the revenue potentiality, assessment administrative mechanism of law, Administrative loopholes, problems and suggestions have made for the prospects and future score for the development and had proposed for improvement and implementation procedure of property taxation. The report published as the titled of "Evaluation of Urban Property (1st phase kathmandu)". The report consists of various aspects of Urban Property tax in Nepal. It also deals with housing trained and revenue potentiality of Kathmandu.

Dhungana, Pradhan and Shah (1974) have studied various forms of property taxes levied in Nepal. They suggest that urban property tax is one of the most negligence taxes in Nepal both from the view point of government administration and the tax payer. Property tax is problematic tax because it is based on valuation.

Mr. Arjun Jung Shah, Mr. Narendra Lal Kayastha and Mr. Bal Prashad Rai (1974) have analyzed the property tax of five districts in the report entitled "**Evaluation of Urban Property**". The five districts are Bitatnagar, Birgunj, Nepalgunj, Bhairawa and Janakpur. In this report, they have also dealt with housing trend, revenue potentiality valuation procedure of land, plinth area rate and building categorization etc.

Mr. Bharat Devkota (1980) has analyzed urban house and land tax entitled "**Nepalma Sahari Ghar Jagga Kar Eak Bisleshan**". He analyzed property tax legal aspect, evaluation procedure house and land, collection of house and land tax, tax base, structure of tax rate, revenue potentiality, historical aspect and property tax is different nations along with international aspect.

In this report, he finds out that the revenue from property tax has not been mobilized that much, it has low revenue productivity and contribution from this tax to total revenue is insignificant, he finds assessment ration is also very poor. And at the last, he has forwarded some suggestion from the improvement the property tax. He also suggests for the more elastic property tax.

Mr. Ghimire (2006) has done research entitled "**Study for the Measures of Tax Compliance Habits and Leakage Control**". This report has dwelt upon the existing legal provision to check tax leakages and its implementation status. A critical appraisal of tax related earlier legal instrument has also been carried out. The importance of tax education, accounting knowledge, motivation for revenue staff and tax payers also reviewed. This report has identified some legal, institutional structure of tax administration, revenue police and monitoring activities. Prevailing tax related laws have made various anti-leakage provisions to minimize the non-compliance and to maximize the tax collection. There are special provisions for anti-leakages activities in corruption control act. But these provisions are not properly handled and implemented.

Local Self-Governance Act, 2055, local self government regulation rule 2056 focused on fiscal power granted to the local bodies. As per these legal provisions, municipalities can collect service charge and fee related to approval of building design. As per the regulation the main source of revenue given to municipality is the property tax like house and land tax and unified property tax.

Kathmandu Metropolitan City has prepared a working paper relating to the implantation of property tax. The paper says that valuation of house and land is based on actual market price and actual blue print map. The paper has suggested punishing person or tax payer who gives wrong information and who does not follow metropolitan city regulation

CHAPTER III

RESEARCH METHODOLOGY

Role of property tax in national revenue is very significant in Nepal. The main objective of this study is to observe the real situation and role played by the property tax in Nepal. To achieve the objective of this study, a research methodology has been designed. This research methodology contains research design, population and sample, nature and sources of data, procedures of data collection, processing and analysis.

3.1. Research Design

Most of the data and information of the study are concern with past phenomena of the performance. So it can be regarded as historical research design. To achieve the state objectives of the study, the study of property Tax Act, 2047, Finance Act and Local Self-Governance Act 2055/56 and other relative acts: rules and regulations are made for making the study descriptive. For an empirical research, an opinion survey has been conducted. The opinion of the various 40 respondents, associated with property tax i.e. tax administrators, tax experts and tax payers are collected through structured questionnaire with reference to property tax system of Nepal. Thus, the research methodology followed in the study can be termed as analytical as well as descriptive research design.

3.2. Population and Sample of the Study

There are 58 municipalities in Nepal. Among them Kathmandu is only one Metropolitan City and there are 4 Sub-Metropolitan Cities. All 58 municipalities are the population of the research and among them Kathmandu Metropolitan City has studied due to only one Metropolitan City. The details of Municipalities are given in table No. 3.1.

Table No. 3.1
Details of Municipalities in Nepal

S. N.	Development Regions	Zones	Name of Municipalities	Total
1.		Mechil, Koshi, Sagarmata	Illam, Bhadrapur, Damak, Biratnagar SMC, Mechinagar, Dharan, Inauruwa, Ithari, Dhankuta, Khandbari, Trijuga, Rajbiraj, Lahan, Siraha	14
2	Central	Bagmati, Narayani, Janakpur	Janakpur, Jaleswor, Malangwa, Kamalamai, Bhimeshwor, Dhulikhel, Panauti, Banepa, Lalitpur SMC, Bhaktpur, Madhyapur Thimi, KMC, Kirtipur, Bidur, Hetauda, Gaur, Kalaiya, Birgunj SMC, Bharatpur, Ratnanagar	20
3	Western	Gandaki, Dhauligiri , Lumbini	Prithvinarayan, Vyas, Putlibazar, Waling, Pokhara SMC, Lekhnath, Baglung, Tansen, Ramgram, Sidharthnagar, Butwal, Kapilvastu	12
4	Mid-Western	Karnali, Bheri, Rapti	Tribhuwannagar, Tulsipur, Nepalgunj, Gulariya, Birendranagar , Narayan	6
5	Far-Western	Seti, Mahakali	Dipayal, Dhangadhi, Tikapur, Mahendranagar, Amarghadhi, Dhasharathchand	6
Total				58

Likewise, KMC collects revenue from different sources among them is tax. The tax structure of KMC is treated as population among these taxes. House and Land (Property) tax is one of them which is considered in this research. The tax which KMC collects as tax revenue as per act of Local Self Governance Act, 2055 is shown in Table No. 3.2. I have selected the KMC as Sample Study among from population.

Table No. 3.2.
The sources of Revenue of Municipalities

Resource	Particulars
Tax	<ul style="list-style-type: none"> - House and Land tax -Land revenue tax -Integrated Property tax -Vehicle tax (Registration, Renewal) -Entertainment tax -House rent tax -Advertisement tax -Business tax -Commercial Video tax

(Source: Revenue Dept. of KMC)

3.3. Nature and Sources of Data

To achieve the real and factual result out of this research, both primary as well as secondary data have been collected but most of the data and information used in the study are based on secondary sources.

3.3.1. Primary Sources of Data

The primary data have been collected from the responses of persons relating to property tax representing from the various sector of Kathmandu City. For this purpose, structured questionnaire was distributed to the selected respondents along with the field visit. The questionnaire had included the question relation to specific objectives of property tax in Nepal, major problems of property tax system, remedy to the tax evasion existed in Kathmandu tax administration, cases of ineffectiveness of the tax administration, the most important factor for effectiveness of property tax system including necessary suggestions for achieving effectiveness of property tax in Kathmandu Metropolitan City

3.3.2. Secondary Sources of Data

The secondary sources of data are the information received from books, journals, newspapers, reports and dissertations etc.

The major sources of secondary data are as follows:

- Ministry of Local Development (2048), Municipality Act 2048, Nepal Government, Kathmandu.
- Property Tax Act, 2047
- House and Compound Tax Nirdesika, 2045
- Ministry of Local Development (2049), Municipality Working Management Regulation 2049, Nepal Government, Kathmandu.
- Thesis related to tax, available at campus library, Central Library Tribhuvan University, Kirtipur.
- National Newspapers, Journals, Souvenir and News Magazines, Municipalities, Medias, Internets etc.
- Income and Expenditure budget of Kathmandu Metropolitan City of last 6 years.
- Other related published and unpublished report, Journals and Articles etc.

3.4. Data Collection Procedure

A total 50 sets of questionnaire were developed and distributed to the selected respondents. Distribution was done personally through field visits to get accurate and actual information in time. The questionnaires were administered in personal meeting with the respondents and additional information was also collected from interview with the respondents.

Tax experts, tax administrators and taxpayers and others related parties to tax field are the total population of the research. Stratified and purposive sampling methods have been used to select the sample. Persons include in the sample are carefully selected by consultation with the tax experts, Professors and Lecturers of Tribhuvan University and judgement of researcher. The respondents have been divided into three groups. The following table shows the groups of respondents and the size of samples.

Table No. 3.3
Groups of Respondents and Size of Samples for each group

S.N.	Group of Respondents	Sample Size	Responses
1.	Tax experts	15	10
2.	Tax administrators	15	10
3.	Tax payers	20	20
Total		50	40

15 tax experts are selected in which only 10 responded. There are numerous of tax administrations in Kathmandu Metropolitan City among them 15 tax administrators in which only 10 responded. There are indefinite numbers of tax payers in Kathmandu Metropolitan City, among of them 20 tax payers are selected and all of them responded.

3.5. Tools and Techniques of Data analysis

To make easier, the collected data from primary and secondary sources are first tabulated into various tables. No complicated statistical tools were used in this study. Percentages, Average, Correlation and trend analysis are used to analyze the data. Table, various types of charts, graphs and figures were also used to make the presentation of the collected data clear and vivid.

CHAPTER IV

PRESENTATION AND ANALYSIS OF DATA

Data presentation and analysis of House and Land (Property) tax of Kathmandu Metropolitan City has been done in this chapter. This is the major part of the study. It aims to make clear understanding of property tax administration in Kathmandu Metropolitan City which is presented as below:

4.1. Structure of Total Income from Tax and Other Sources of KMC

The structure of total income from tax and other sources of KMC shown in the below table No.4.1. The structure consists of all the public revenue and other income like own private income of KMC. It included the income incurred by overhead bridges, Sub ways, Bus park's, Market etc. And this also included fine and penalties, internal and external aid and other income.

Table No. 4.1
Structure of Total Income from Tax and Other Sources of KMC
From FY 2060/61 to FY 2065/66 (In Thousand Rs.)

S. N.	Income Heads	2060/61	2061/62	2062/63	2063/64	2064/65	2065/66
1.	House & Land	66380	59184	122286	92249	115551	145197
2.	Malpot, Land Tax	4416	3479	4389	3593	3885	4421
3.	Business Tax	17821	13340	21793	16226	13400	20308
4.	Vehicle Tax	1124	6789	7163	5843	5122	6169
5.	Advertisement Tax	4490	4657	7906	6311	5827	11977
6.	Parking Fees	4960	5185	6401	2157	2144	2634
7.	Rent Tax	-	-	-	640	2684	7165
8.	Contract/Royalties	2449	3479	6800	3412	886	8237
9.	People's Participate	14374	13922	15017	12857	103588	19402
10.	Local Development Fees	237576	237576	237576	237589	237576	237576
11.	House Map Building Permit Fees	119293	122702	113140	88538	98634	109550
12.	Govt. grant	1164	1279	1042	60005	189437	159855
13.	Non Govt. grant	1358	2494	8978	59454	8583	1182
14.	Other internal income	87715	69565	93414	98454	126952	111500
15.	Other Dev. Contribution	7960	9875	1612	25335	15625	29709
Total Income		571080	553526	647517	712663	929894	874882

(Source: Income and Expenditure Budget of KMC)

Above table showed the detail structure of various taxes and other income of KMC in various fiscal years from 2060/61 to 2065/66 and all the figures are shown in thousand . Total income Rs. 571080 of KMC in fiscal year 2060/61. Total income Rs.553526 of KMC in fiscal year 2061/62. Total income Rs. 647517 of KMC in fiscal year 2062/63. Total income Rs. 712663 of KMC in fiscal year 2063/64. Total income Rs.929894 of KMC in fiscal year 2064/65. And at last total income Rs. 874882 of KMC in fiscal year 2065/66. Hence, this showed total incomes of different fiscal year fluctuating every year of KMC.

4.2. Total Income from Property and Other Taxes

Presented table below stressed on the competitive study about property and other taxes in total tax revenue. Here percentage of house and land tax is drawn on the total tax revenue of KMC. And it is compared with other taxes. Other taxes refer to the all the taxes that LSG Act, 2055 has given right to the Municipalities to collect revenue tax.

Other taxes are all that taxes that KMC collects except house and land (Property) tax.

Other taxes include these following taxes;

- Malpot Kar (Land Tax)
- Annual Vehicle Tax
- Entertainment Tax
- Unified Property Tax
- Advertisement Tax
- Business Tax
- House Rent Tax

Table No. 4.2
Total Income from Property and Other Taxes (In Thousand Rs.)

S. N.	Particulars	2060/61	2061/62	2062/63	2063/64	2064/65	2065/66
1.	Total tax revenue	530880	553526	640084	712680	765450	783470
2.	House and Land tax	66380	59184	122286	92249	115551	145197
3.	% of House and Land tax	12.5	10.69	19.1	12.94	15.1	18.53
4.	Other taxes and Incomes	464500	494342	517798	620421	649899	638273
5.	% of Other tax	87.5	89.31	80.9	87.06	84.9	81.47

(Source: Income and Expenditure Budget of KMC)

Table No. 4.2 showed comparative study about the house and land tax and other taxes. Total tax revenue was Rs.530880 in which house and land tax was 12.5% and in meanwhile other tax was 87.5% in FY 2060/61. Likewise in FY 2061/62 the total tax revenue was 553526 and 10.69% covered by house and land tax whereas 89.31% was covered by other tax. In FY 2062/63 the total tax revenue collected by KMC was Rs.640084 in which 19.1% belonged to house and land tax which is the largest about every collection in past fiscal years, whereas 80.9% belonged to other taxes. In FY 2063/64 the total tax revenue collected by KMC was Rs.712680 consist of 12.94 % of house and land tax and 87.06% of other taxes. Similarly, in FY 2064/65 the total tax revenue collected by KMC was Rs.765450 which consists of 15.1% of house and land tax and 84.9% of other tax. In 2065/66, total tax revenue was Rs.783470 which consists of 18.53% of house and land tax and 81.47% covered by other taxes. The house and land (property) even been a vital tax in KMC but the collection in comparison other tax is not satisfactory. In FY 2062/63 and FY 2065/66 seemed to be the highest collection in comparison to rest of the years. This shows some potentiality on house and land tax.

KMC has estimated that around 2 lakhs taxpayers in Metropolitan City but due to the lack of filling and recording system it does not show any sound data for regular tax payer. And absent of proper recording system appears are not disclosed. KMC believed that out of 2 lakhs taxpayers only 50% tax payer pay regularly. Among of them most of tax payers are corporate offices like Nepal Electricity Authority, Nepal Telecom Corporation etc. which pay 40 to 42 lakhs annually. Whereas least paying taxpaying are individuals. Most of people own property less than 10,00,000 which are not in the tax brackets. They only pay house and land tax in the name of "Service Charge" Rs.200 annually.

In 2019, there was provision of sending bill to the individuals for the payment house and land tax but it could not come to practice. Since it was only limited in the provision there is not any measures take by KMC for taking any actions like fine and penalty for not pay tax.

Tax planning and tax evasion is another factor which hindrance in collection or house and land tax. People reduce their responsibilities of paying tax by splitting the whole

property to small valuation to pay tax little or none. Some people have more than one house in same name which also lead to evasion simply pay for only one house.

For all this reasons contribution of house and land tax seems less than in the comparison to other taxes.

4.3. Studies about Contribution of House and Land Tax in Total Revenue of KMC

Kathmandu Metropolitan City has been collecting property tax since 2057. It is known as house and land tax. This tax is playing vital role in Kathmandu Metropolitan City. The contribution of house and land tax in total revenue of Kathmandu Metropolitan City can be shown in table 4.3

Table No. 4.3
Contribution of House and Land Tax (In Thousand Rs.)

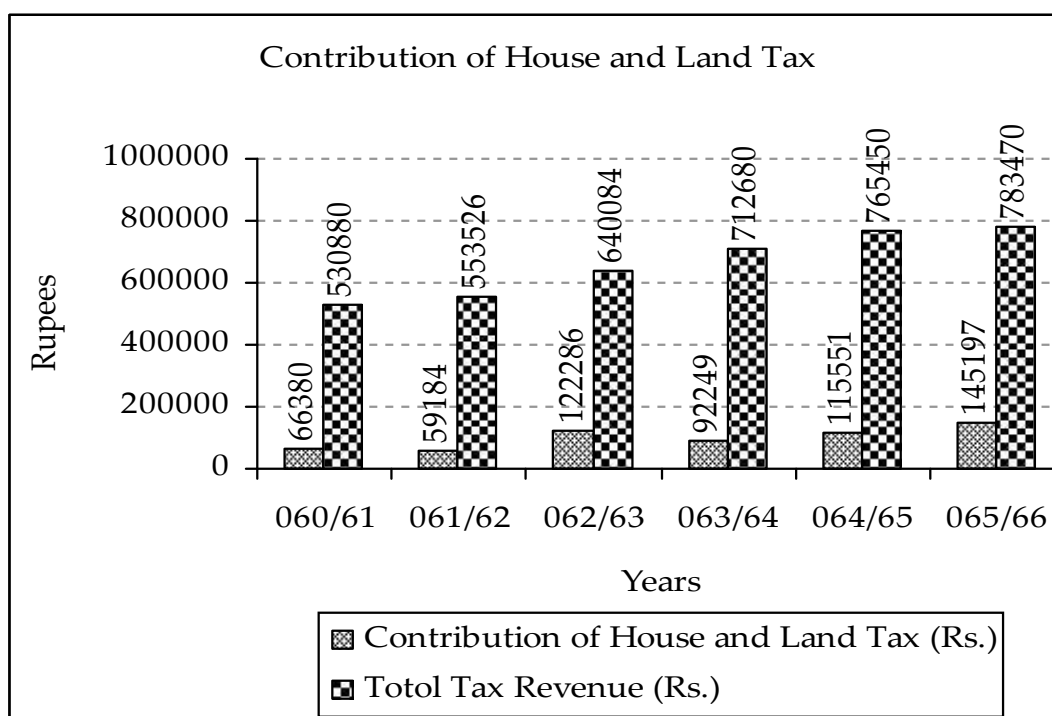
Years	Total Tax Revenue (Rs.)	Contribution of House and Land Tax (Rs.)	Percentage (%)
2060/61	530880.00	66380.00	12.5
2061/62	553526.00	59184.00	10.69
2062/63	640084.00	122286.00	19.1
2063/64	712680.00	92249.00	12.94
2064/65	765450.00	115551.00	15.1
2065/66	783470.00	145197.00	18.53
		Total	88.86
		Average	14.81

(Source: Revenue Dept. of KMC)

Above table showed that in FY 2060/61, total revenue was Rs.530880.00 and contribution of house and land tax was Rs.66380.00 which made 12.5%. In FY 2061/62, total revenue was Rs.553526.00 and contribution of house and land tax was Rs.59184.00 which made the lowest 10.69%. Likewise, in FY 2062/63, total revenue was Rs.640084.00 and contribution of house and land tax was Rs.122286.00 which made the highest 19.10%. And at last but not at least, in the FY 2065/66 the total revenue was Rs.783470.00 and contribution of house and land tax was Rs.145197.00 which made 18.53%. It is clear to see that average contribution of house and land tax on total revenue can be observed highest i.e.14.81%. Percentage share contribution of house and land tax on tax revenue can be observed highest i.e.19.1% in FY 2062/63

and lowest i.e.10.69% in FY 2061/62. Aggregated collection of house and land tax of last 6 years was 88.86%.This table can be shown in graph as:

Figure 4.1
Contribution of House and Land Tax



4.4. Budgeted and Actual House and Land Tax of KMC

Every success any organization is depended upon the correct budgeted and its correct implementation. So here is presented the table 4.4 to know the budgeted of property tax prepared by the KMC and succeeded to collect actual in different fiscal years.

Table No. 4.4
Budgeted and Actual House and Land Tax of KMC

(In Thousand Rs.)

Fiscal Years	Income Revenue		Collection
	Budgeted (Rs.)	Actual (Rs.)	Efficiency in (%)
2060/61	110000.00	66380.00	50.35
2061/62	110000.00	59184.00	53.52
2062/63	150000.00	122286.00	81.52
2063/64	150000.00	92249.00	61.5
2064/65	125000.00	115551.00	92.44
2065/66	200000.00	145197.00	72.6

(Source: Revenue Dept. of KMC)

From the above Table No. 4.4 shows that the revenue from house and land tax was fluctuating over the last 6 years. It shows unrealistic revenue projection. Only 92.44% is the highest collection efficiency in FY 064/65. And the lowest collection efficiency is 50.35% in FY 060/61.

Above projection showed vast difference compare to actual collection. Hence, projection should be realistic and the department of revenue as well as field offices also is to refer to before reaching estimation. Root level studies are necessary to before projection of house and land tax.

4.5. Studies about trend of House and Land Tax

The trend of house and land tax of Kathmandu Metropolitan City has re-calculated on the basis of house and land tax revenue of last 6 years. Table No. 4.5 shows the trend of house and land tax of Kathmandu Metropolitan City.

Let the trend line be,

$$y = a + b x \dots\dots\dots (i) \text{ where,}$$

y = Dependent variable. Here house and land tax

x = Time

b = Slope of trend line

a = y -intercept

**Table No.4.5
Trend of House and Land Tax**

Years	T	x=T-3.5	x ²	House & Land Tax (y)	xy	y =a+bx
060/61	1	-2.5	6.25	66.38	-165.95	62.065
061/62	2	-1.5	2.25	59.18	-88.77	77.29
062/63	3	-0.5	0.25	122.29	-61.15	92.52
063/64	4	0.5	0.25	92.25	46.13	107.75
064/65	5	1.5	2.25	115.55	173.33	122.98
065/66	6	2.5	6.25	145.20	363.00	138.22
			Σx ² =17.5	Σy=600.85	Σxy=266.59	

$$a = \Sigma y/N=600.85/6=100.14$$

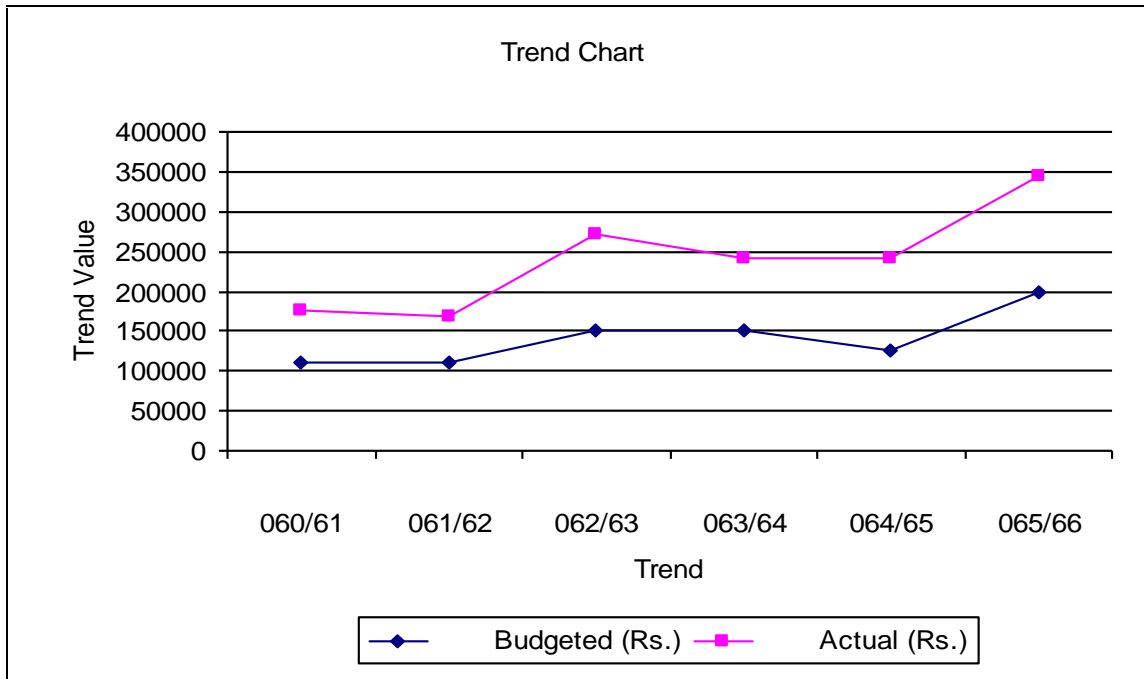
$$b = n\Sigma xy/n\Sigma x^2 =15.23$$

$$y = a + b x$$

$$y = 100.14+15.23x$$

From the above Table No.4.2 shows actual house and land tax is maximum in year 065/66 and low in 060/61 but estimated house and land tax showed slowly increasing. Where $a=100.14$ and estimated $y=100.14+15.23x$, which clearly shown in Trend Chart below.

Figure 4.2
Trend of House and Land Tax of KMC



4.6. An Empirical Analysis

An empirical investigation conducted in order to find out various aspects of House & Land tax from the experience of real life situation. The major tool used for this purpose was an opinion questionnaire, which was dispatched to 40 persons representing tax experts, officers/administrators and taxpayers.

The questionnaire were either asked for a yes/no response or asked from alternatives where most one was important. For this purpose, structured questionnaire was distributed to the selected respondents along with the field visit. The samples of questions are shown in appendix III.

The following table shows the groups of respondent and code used to represent them.

Table No. 4.6
Groups of Respondents and Codes Used

S.N.	Group of Respondents	Sample Size	Code used
1.	Tax experts	10	A
2.	Tax officers	10	B
3.	Tax payers	20	C
Total		40	

4.6.1 House and Land Tax as a Suitable means of raising domestic resource.

To know the respondents' opinion about role of house and land tax raising domestic resources. Question was asked, "**Is house and land (Property) tax suitable means of raising domestic resources, do you agree?**". The domestic resources mean local means of resources or own internal resources which helps KMC in raising suitable means of revenue. A question was asked for each of the groups. Group A which was consist of tax experts, Group B was consists of tax officers and Group C was consists of tax payers. The responses received from the respondents were tabulated below.

Table No. 4.7
Property Tax as Suitable Means of Raising Domestic Resources

Responses	Yes		No		Total	
	No.	%	No.	%	No.	%
A	10	100	-	-	10	100
B	10	100	-	-	10	100
C	14	70	6	30	20	100
Total	34	85	6	15	40	100

(Source: Field Survey 2010, Questionnaire No.1)

From the above table, it is cleared that 85% of the respondents approved the house and land (property) tax is a suitable means of raising domestic resources and only 15% of respondents did not recognize the house and land (property) tax is as a suitable means of raising domestic resources.

It is totally harmful to depend fully on external sources. Among the internal sources house and land tax seems to be most viable method. It is perennial source of revenue of KMC. Thus, the conclusion can be drawn out that the house and land (property) tax is a suitable means of raising domestic resources.

4.6.2 House and Land Tax Contributions significantly to the development of Municipalities.

House and Land (property) tax is one of vital tax that KMC collect. To know the view of the respondents about contribution of house and land tax significantly to the development of Municipalities. A question was asked "**Do you think house and land (property) tax contributes to the development of municipalities?**" The responses are tabulated below:

Table No. 4.8
Contributions of House and Land tax to the development of Municipalities

Responses \ Respondents	A	B	C	Total	Percentage
Yes	6	5	10	21	52.5
No	4	4	6	14	35
Don't know	-	1	4	5	12.5
Total	10	10	20	40	100

(Source: Field Survey 2010, Questionnaire No. 2)

From the above table show that 52.5% of responses approved that house and land (property) tax contributed significantly to the development of Municipalities and 35% of respondent showed that house and land tax only does not significantly contributed for the development of Municipalities. However, 12.5 of the respondents are not aware of it.

4.6.3 Property Tax Paying to KMC in the certain time

To know the taxpayer of KMC pay property tax in certain time to the KMC, a question was asked, "**Do you pay property tax in the certain time?**" The responses received from the respondents are tabulated as follows:

Table No, 4.9
Property Tax to the KMC in the Certain Time

Responses	Yes		No		Total	
	No.	%	No.	%	No.	%
A	3	30	7	70	10	100
B	6	60	4	40	10	100
C	5	25	15	75	20	100
Total	14	38.33	26	61.67	40	100

(Source: Field Survey 2010, Questionnaire No.3)

From the above table only 38.33% of respondents paid property tax in the certain time to the KMC and remaining 61.67% of respondents did not paid property tax in the certain time. This show the tax paying habit of tax payer in KMC is slightly negative.

4.6.4 Information for Taxpayers about Property Tax

To know the respondents view tax paying information about property tax by Metropolitan City, a question was asked, "**Do you think tax payer have been informed regularly to pay property tax?**" The responses are tabulated below:

Table No. 4.10
Taxpayers have been Informed Regularly

Responses	Yes		No		Total	
	No.	%	No.	%	No.	%
A	2	20	8	80	10	100
B	4	40	6	60	10	100
C	-	-	20	100	20	100
Total	6	20	34	80	40	100

(Source: Field Survey 2010, Questionnaire No. 4)

From the above table, it was clear that only 20% of respondents approved that taxpayers have been informed regularly to pay property tax. However, 80% of the respondents approved that there was no information for taxpayer to pay property tax regularly.

KMC's administrations state that there was a provision to sending bill to pay house and land tax back in 2019 B.S. But in could not be implemented because of sufficient manpower that time. It shows the poor information about property tax for taxpayers.

4.6.5 Best way to inform tax payers about property tax to pay in time

To know the respondents view about the best way to inform about property tax to the taxpayers which includes them to pay in right time, a question was asked along with 4 alternatives and responses were asked to selected best or most appropriate alternative.

The responses were as follows:

Table No.4.11
Best way to inform tax payers about property tax to pay in time

S. N.	Best ways	Group					
		A		B		C	
		No.	%	No.	%	No.	%
1.	Giving advertisement in media	6	60	7	70	7	35
2.	Sending acknowledgement letter to the tax payers	3	30	3	30	4	20
3.	Information through telephone calls	1	10	-	-	6	30
4.	Establishing public relation individually	-	-	-	-	3	15
Total		10	100	10	100	20	100

(Source: Field Survey 2010, Questionnaire NO.5)

Above table shows that Group A consists of tax experts responded 60% that the best way to inform taxpayers about property tax in time is "Giving advertisement in Media" and rest of responded in same group i.e.30% responded to use the method of sending acknowledgement letter to the taxpayer to pay tax. While 10% believe that establishing public relation individually is that best way. Likewise Group B consists of Tax officer, 70% believed that giving advertisement in media is the best way and 30% approved that sending acknowledgement letter to taxpayer is the best method. Similarly, Group C consists of tax payer 35% select the giving advertisement in media is the best and 30% approved that information through telephone call is the best 20% approved that sending acknowledgement letter to the tax payer is right way and 15% said that establishment public relation individually is the best way. It is clear that most of the respondents responded giving advertisement in media is the best way to inform about house and land tax to the taxpayers for the payment of tax in time.

4.6.6 Motivation for Taxpayers to paying the House and Land Tax

To know the opinion of respondents about the motivation factor for paying the house and land tax timely, a question was asked, "**Do you think KMC should apply motivation factors to pay tax in time to the taxpayers?**" respondents responses are tabulated follows:

Table No. 4.12
Motivation for Taxpayers to Paying the House and Land Tax

Responses	Yes		No		Total	
	No.	%	No.	%	No.	%
A	7	70	3	30	10	100
B	6	60	4	40	10	100
C	15	75	5	25	20	100
Total	28	68.33	12	31.67	40	100

(Source: Field Survey 2010, Questionnaire No. 6)

Above table depict that 68.33% of respondents approved that Kathmandu Metropolitan City should apply some motivations factors like discount, fine, penalties and punishment should be imposed to pay property tax. However, 31.67% of the respondents approved that Kathmandu Metropolitan City need not to apply motivation factors. They believe that tax payers should have knowledge to pay tax in time.

4.6.7 Rebates given by KMC

To know the whether taxpayers were satisfied with rebates given by the KMC, a question was asked, "**Are you satisfied with the rebates given by the KMC in the property tax (house and land tax)?**"

Table No.4.13
Rebates given by KMC

Responses Respondent	A	B	C	Total	Percentage
Yes	5	5	2	12	30
No	5	5	7	17	42.5
Don't know	-	-	11	11	27.5
Total	10	10	20	40	100

(Source: Field Survey 2010, Questionnaire No. 7)

From the above table only 30% of respondents were satisfied with the rebates, 42.5% of the respondents were not satisfied with rebates and 27.5% of the respondents were out of knowledge about rebates given by the KMC, It was because being lack of property tax policy knowledge and not paying property tax in timely.

4.6.8 The Valuation of Property Tax should Based on Market Value

In order to know opinion of respondents about the valuation of house and land tax should be based on Market value a question was asked, "**Do you think the valuation of property tax should be based on Market value?**" respondents responses are tabulated below:

Table No.4.14
The valuation of Property Tax should based on Market Value

Response Respondents	A	B	C	Total	Percentage
Yes	2	3	6	11	27.5
No	8	7	12	27	67.5
Don't know	-	1	2	2	5
Total	10	10	20	40	100

(Source: Field Survey 2010, Questionnaire No.8)

It is clearly shown that 67.5% of respondents approved that valuation of property tax shouldn't be based on market value. Most of the respondents believed that valuation should be based capital value. Likewise, only 27.5% of respondents approved that valuation should based on the market value. And 5% showed ignorance about valuations.

Tax experts and administrators believed that valuation should be on capital and must be according to the division of potentiality of area like commercial, industrial and residential area. There should be different rate for different locations.

4.6.9 Complication in Paying House and Land Tax

When taxpayer comes to pay tax in KMC, they may have problem and complication in paying tax. The language and terms used in tax law are complicated. And most of taxpayers are confused what documents should be presented at time of paying tax. Therefore, in order to know opinion of respondents about the complication in paying house and land tax, a question was asked, "**Do you have complications in paying house and land tax?**" Their responses as follows:

Table No. 4.15
Complication in Paying House and Land Tax

Responses Respondents	A	B	C	Total	Percentage
Yes	5	2	15	22	55
No	5	8	-	13	32.5
Don't know	-	-	5	5	12.5
Total	10	10	20	40	100

(Source: Field Survey 2010, Questionnaire No.9)

From the above table, 55% of respondents felt complication in paying tax. During the field survey most of the respondent complaining too much delayed in making assessment, administrative harassment, complicated laws and others. They were asking for the KMC should go at taxpayer door to collect tax effectively. Where as only 32.5% which is consist of tax experts and employees responded there is not complication in pay property tax and 12.5% show there ignorant about property tax.

Respondents expressed complication in paying tax because of too much delay in making assessment, complicated tax laws and administrative harassment on determining tax liability because of limited knowledge about account and assessment rules.

4.6.10 Appropriate Solution for the Loopholes in the method of assessment and valuation of House and Land Tax

The method of assessment and valuation of house and land tax has many loopholes like under valuation, evasion etc. To find out the appropriate solution to cope with it a question was asked and respondents are asked to select the best give alternative.

Table No. 4.16
Appropriate Solution for the Loopholes in the Method of Assessment and Valuation of House and Land Tax.

S. N.	Best Ways	Groups					
		A		B		C	
		No.	%	No.	%	No.	%
1	Simplification of tax law	2	20	3	30	1	5
2	More investigation and reconciliation of bill and document of tax payers	3	30	3	30	2	10
3	Better information system between tax payers and tax officers	1	10	4	40	1	5
4	End of corruption practices and train employees	4	40	-	-	16	80
Total		10	100	10	100	20	100

(Source: Field Survey 2010, Questionnaire No.10)

Above table shows that Group A consists of tax experts responded 40% stress on end of corruption and need of trained employees and rest of responded in same Group i.e.30% responded for making more investigation and reconciliation of bill and documents of taxpayers. While 20% state that simplification of tax may cope with this problem and other 10% responded for better information system between tax payers and tax office. Likewise, Group B consists of tax officer, 40% believed that better information system between taxpayers and tax officers is the best method. Similarly, 30% approved that more investigation and reconciliation of bill and document of tax payers is the best way and another 30% believed that simplification of tax law is the best way. On the other hand, Group C consists of taxpayer, 80% gave preference on end of corruption and trained human resources, 10% approved more investigation and reconciliation of bill and document of tax payers, 5% said that better information system between taxpayers and tax officers another 5% also state

that simplification of tax law is the best. It is clear that most of the respondents responded giving advertisement in media is the best way to inform about house and land tax to the taxpayers for the payment of tax in time.

4.6.11 Introducing Computerized Billing System in KMC

Most of taxpayers feel that paying taxes is time consuming because counters where taxes are collected are quite crowd and in the absence of proper record keeping system of tax, KMC does not look and determined about the status of revenue so, a question was asked, " **Do you think it is necessary to introduce proper accounting system like computerized billing system in KMC?**". Their responses as follows:

Table No. 4.17
Introducing Computerized Billing System in KMC

Responses	Yes		No		Total	
	No.	%	No.	%	No.	%
A	8	80	2	20	10	100
B	7	70	5	25	10	100
C	15	75	5	25	20	100
Total	30	75	10	25	40	100

(Source: Field Survey,2010, Questionnaire No.11)

Above table depict that 75% of respondents felt need of proper system of computerized billing system to work more systematically and only 25% of total respondents voted for non need of computerizing billing system in their view most of said that putting computer creates more complication and old employees would be loose their job just because of their ignorant of IT knowledge and it will be time consuming to train the employees about computerized billing system.

4.6.12 Provision of Collecting Property Tax Made under the Local Self-Governance Act is a good Measure

In order to know opinion of respondents about the provision of collecting property tax made under the local self - governance Act, 1999 was a good measure of collecting property tax. A question was asked, "**In your opinion, Do local self-governance Act, 1999 has made the provision of collecting property tax is given to municipalities is a good measure of collecting property tax?**". Their responses as follows:

Table No.4.18
Provision of collecting Property Tax made under the Local Self-Governance Act is a good Measure

Responses Respondents	A	B	C	Total	Percentage
Yes	5	2	4	11	27.5
No	5	8	2	15	37.5
Don't know	-	-	14	14	35
Total	10	10	20	40	100

(Source: Field Survey 2010, Questionnaire No.12)

From the above table, 27.5% of respondents felt that the provision of collecting property tax made under the Local Self-Governance Act is a good measure and 37.5% of respondent felt Local Self- Governance Act, 1999 was not a good measure for collecting house and land tax. Whereas, 35% mostly consists of taxpayers showed ignorant about the Act itself.

Further respondents suggested that there must be simplification in tax law, it should clearly define the difference in the roles between KMC and tax officers.

4.7 Major Findings of the Study

The study has focused the role of property tax revenue structure, contribution, trend and composition of house and land tax of KMC. Kathmandu is the capital of Nepal. All over Nepal, there are 58 municipalities among of them Kathmandu is Metropolitan City; Kathmandu Metropolitan City has 35 wards. The highest contribution of property tax revenue is 21.77% in FY 2063/64 and lowest contribution in FY 2061/62. The trend is estimated slowly growing.

4.7.1 Major Findings from the Primary Data

The major findings from the Primary data are summarizes below:

1. KMC collects property tax under LSG Act, 2055 and rules 2056 from Income Year 057/58.
2. 70.12% of total tax is collected from property tax source and 27.88% is from other taxes of KMC in fiscal year 065/66.
3. The highest contribution of property tax is 21.77% in fiscal year 063/64 from starting LSG Act to till now.
4. Analysis of trend value of house and land (property) tax show actual house and land tax is maximum in fiscal year 065/66 and low in 060/61.

4.7.2 Major Findings from the Secondary Data

On the basis of the observing field survey and data presentation and analysis some important and major findings are drawn. The major findings from the secondary data are summarizes below:

1. The majority of respondent stated that the house and land (property) contributes significantly to the development of municipalities.
2. It is cent percent true that the house and land (Property) tax is a suitable means of raising domestic resources.
3. Being lacks of regular information of property tax paying habit of people are poor.

4. The majority of respondent stated that there is no information about house and land tax for the taxpayers by KMC to pay tax in certain time.
5. KMC should conduct resources potential study and review the strategic frame work.
6. All potential taxpayers are not put into the tax net so; they should be put into tax brackets.
7. It found out that KMC should approve the appropriate computerized bill system and appropriate network base tax management software.
8. Clear act, rule and regulations, healthy administration, awareness of taxpayers and fair investigation are the solution to cope and control tax evasion.
9. High rate of tax create non compliance.
10. Tax education is necessary to make taxpayer consciousness about house and land tax which lead to understand the procedure of tax assessments.
11. Rebate for tax payer KMC should be approved once again to increase the tax paying habits of people.
12. Most of respondents state that KMC should apply motivational factor like discounts, prizes, fine and penalties to promote tax paying.
13. For increasing the tax paying caliber KMC should introduce some motivational schemes.
14. KMC should give advertisement of paying house and land tax to the taxpayers in appropriate way in media.
15. The method of assessment and valuation of house and land has many loopholes and such loopholes can be coped with making simplification of law, making more investigation and reconciliation of bill and document of tax payers and better information system between tax payers and tax officers.

CHAPTER V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

This chapter presents the overall summary of the study and conclusions drawn from the analysis of the study. This also includes the recommendations to correct certain aspects, which will help to improve the collection of house and land (property) tax and the position of property tax in Kathmandu Metropolitan City.

5.1. Summary

Nepal is one of the least developed countries. It is suffering from economic disaster. To increase the government revenue, Nepalese government is trying to extract money or valuable contribution from people through taxation. Urban house and land (property) tax is the important resource of government revenue.

An increasingly large share of the population and economic activity of developing countries now occurs in cities. Urban economies now account for majority of GDP in most developing countries. The continued productivity of urban economies depends upon the adequate provision of urban infrastructure and social services. Financial reforms of municipal government are therefore high on the agenda-not merely as a means of increasing local revenues. In principle, there are many alternative means of increasing the revenues of municipal government. But the broader economic and institutional objectives of reform narrow the options and provide more precise guidelines for the assignment of revenue sources to municipal government.

In Nepal, property tax was introduced by Finance Act, 1959 A.D. It was implemented under property tax Act in 1960 A.D. Due to ineffectiveness of collecting revenue. It was replaced by urban house and property tax later. Urban house and land tax was introduced in 1962 A.D. for the purpose of collecting revenue from urban house and land property. Initially, this tax was introduced in Kathmandu, Lalitpur, Bhaktpur, Biratnagar, Birgunj, Nepalgunj, Rajbiraj, Janakpur and Butwal. Later in 1963/64 it was introduced to Bhadrapur and Dharan in 1964/65 and Bhairawa, Pokhara, Palpa and Hetauda in 1973/74 A.D. The interim government of 2047 B.S. again introduced property tax in 1990 A.D. by the finance act in beginning and by property tax act,

1990. After the introduction of local Self- Governance Act in 1999, property tax is given to local bodies (Kandel, 2003:3).

The study has focused the role of property tax revenue structure, contribution, trend and composition of house and land tax of Kathmandu Metropolitan City. Kathmandu is the capital of Nepal. All together there are 58 municipalities among them Kathmandu is Metropolitan City; KMC has 35 wards. The highest contribution of property tax revenue is 21.77% in FY 2062/63 and lowest contribution in FY 2060/61. The trend is estimated slowing growing.

5.2. Conclusion

The system of property tax is the best methods of collecting tax revenue which helps the economic development of the nation. Poor mobilization of internal resources as tax is the main causes of funds insufficiency so the government should mobilize tax in this aspect, Kathmandu Metropolitan City has been collecting property tax since the enactment of local self government act 2055, rules 2056. In this study period, the highest contribution of property tax on total tax revenue is 21.77% in fiscal year 2062/63, it indicate that the Kathmandu Metropolitan City has mobilized its revenue in effective manner better than other fiscal years.

In this study period the trends of house and land tax are fluctuated the highest contribution is 21.77% in FY 2062/63 and lowest contribution is 10.69% in FY 2060/61.

The revenue administration in KMC is weak because of lack of the tax policies with a clear direction and consistency in a long run perspective lack of information and records, lack of trained staff and heavy dependence on non-technical staff, lack of proper accounting and auditing system. However, house and land tax laws and administration in Nepal are to be deeply scrutinized but not properly implemented. Manpower development planning within the administration is desired for the efficiency of tax personnel side by side. Tax educations packages are to be made and initiated hence tax administration and tax compliance could be improved.

Revenue leakage is affecting not only revenue collection. It is also affecting national economy and equity. Therefore an honest effort to control leakage is necessary.

Due to various problems related to property tax, revenue collection from property tax is relatively low in KMC. For economic development of Nepal, the problems relating to property tax system in Nepal should be solved and resources should be effectively utilized.

5.3. Recommendations

Property tax has been accepted as an important source of government revenue of Nepal. The growing need of resource for the development of Nepalese economy can be met through effective large volume of property tax. Through there are number of problems, the contribution of property tax is likely to be significant in the future. In the light of findings of the present study, the following specific suggestions have been recommended for the sound and effective property tax system.

1. Kathmandu Metropolitan City should provide **informative knowledge** to the Local people regarding house and land tax because most of them are not educated and don't have the understanding about the house and land tax. As we know KMC is operating METRO FM and TV program in Nepal Television in these media KMC can deliver tax consciousness program.
2. Municipality should mobilize its resources properly and make tax policy as per modern thought as "**Low rate with broadness of tax base**".
3. Through policy, broadness of tax base can be done by changing rebate range. It should be increased up to **50 lakhs** where as existing house and land tax has a provision of only 10 lakhs. The rate of tax rate also should not be more than 1% of taxable property tax. It will make the policy of shifting a greater share on to those with greater capacity to pay. Bottom line is why to tax poor.
4. Tax rate of house and land should be progressive. This means rate are higher for higher-valued property or in the form of exemptions for low value property. High tax rate should be imposed on commercial and

industrial property than residential property. And **owner-occupied residential property is taxed at a lower rate than renter-occupied.**

5. All the potential tax payers are not put into the tax net effectively so far, so KMC should link the **property database with the house numbering system.**
6. After linking the property database with the house numbering system than **annually or in intervals of time bill should be sent** (Just like water and electricity bill are given duly to the each and every house) by KMC to pay the house and land tax.
7. Actual and reasonable budget should be forecasted. There is vast difference between actual and budgeted. Unrealistic projection must be avoided. **Field survey and root level research should be done before reaching into estimation.**
8. KMC has also given a provision to collect the house and land tax ward wise since FY 061/062. The money (tax) collected from one ward should be expended in same ward at least 50%.
9. KMC need to conduct resource potential study and review the strategic framework.
10. Tax administration must be enough efficient for the improvement of tax administration to simplification of tax laws and policies.
11. All the tax personnel should be **given comprehensive training** on various aspects of taxation on a regular basis. For this, a separate training section within tax dependent should be established.
12. The performance responsibilities authorities and duties should be clearly defined.
13. Accountability, transparency, participation, public-private partnership, management innovation and strategic vision are some of the elements of good governance which KMC should follow.

KMC is facing a lot of problem in collecting house and land (property) tax revenue, if the above recommendations are managed timely and effectively, the problem can be minimized and house and land tax will be lead to substantial increase in revenue.

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www.mld.gov.np

www.ird.gov.np

Annex-I

Dear Sir/Madam,

I would like to request you kindly fill up the following questionnaire prepared for collection of your view as valuable resources for my research work.

This research is conducted for partial fulfillment of requirement of Masters of Business Studies (MBS) Degree. I am conducting a research work entitled "*A Study on House and Land (Property) Tax in Kathmandu Metropolitan City*"

I would be very much appreciating if you kindly spare few of your busy and valuable time for my research work. Your views are purely used in my academic purpose only and would not be made public.

Thanking you for the participation.

Sincerely Yours
(.....)
Ram Sulit Mahato
Nepal Commerce Campus, T.U.

A Study on House and Land (Property) Tax in Kathmandu Metropolitan City

Questionnaires

Name :

Designation :

Office/Department:

(Please tick the answer which ever in your view and please write your suggestions and opinions in open end questionnaires.)

1. Is House and Land (Property) Tax suitable means of raising domestic resources?

(a) Yes (b) No

2. Do you think House and Land (Property) tax contribute significantly to the development of municipalities?

(a) Yes (b) No

3. Do you pay property tax in the certain time?

(a) Yes (b) No

4. Do you think "Tax payers have been informed regularly to pay property tax?"

(a) Yes (b) No

5. What would be the best way to inform tax payer to pay their respective property in time? Please select any one.

- (a) Giving advertisement in media.
- (b) Sending acknowledgement letter to the tax payers.
- (c) Informing through telephone calls.
- (d) Establishing public relation individually.

6. Do you thin, Kathmandu Metropolitan City should apply motivation factors (like discount, prize, fine, penalty etc or any other similar factors) to pay tax in time to tax payers?

- (a) Yes (b) No

7. If yes, what motivation schemes should you think will be appropriate to motivate tax payers?

Ans;.....
.....
.....

8. Rebate for tax payer in Kathmandu Metropolitan City is as follows;

- (i) 10% discount for paying tax before last of Shrawan.
- (ii) No penalty for paying till Ashwin last.

Are you satisfied with the rebates given?

- (a) Yes (b) No (c) Don't know

9. Do you think the valuation of property tax should be based on market value?

- (a) Yes (b) No

10. Do you have complication in paying house and land tax?

- (a) Yes (b) No

11. The methods of assessment and valuation of House and Land (Property) tax has many loopholes (like under valuation, evasion etc.). In your opinion what may be the most appropriate solution for this? Please select any one.

- (a) Simplification of tax laws.
- (b) More investigation and reconciliation of bills and document of taxpayers.
- (c) Better information system between taxpayer and tax officers.
- (d) End of corruption practices and trained employees.

12. Do you think it is necessary to introduce proper accounting system like computerized billing system in Kathmandu Metropolitan City?

- (a) Yes (b) No

13. In your view, Do Local Self-Governance Act, 1999 has made the provision of collecting property tax is given to municipalities is a good measure of collecting property tax?

- (a) Yes (b) No

14. In your view, Kathmandu Metropolitan City should follow low tax rate with broadness of tax base?

(a) Yes (b) No

15. What Kathmandu Metropolitan City ought to do to follow low tax rate with broadness of tax base? Please suggest making broadness of tax base;

Ans:.....
.....
.....

Thank you for your kind co-operation

Annex-II

List of the Respondent for the questionnaire

S.N.	Group of Respondents	Sample Size	Code used
1.	Tax experts	10	A
2.	Tax officers	10	B
3.	Tax payers	20	C
	Total	40	

Annex-III

VALUATION OF HOUSE AND LAND TAX

Example:-

Ms. Anaemika Shrestha furnishes following details of his house located at Ward No.11, Kathmandu Metropolitan City.

Total area of house	6000 sq. feet
Land and compound	3 ropani
Mode of construction	Kiln bricks with mud and mortar
Year of construction	2044 B.S.
Government valuation of Land	Rs. 300000 per ropani

Solution:

Valuation of house and land

Area of house =6000 sq. feet

Type of house =Kiln bricks with mud mortar

Area of land = 3 ropani

Total valuation of house = 525 * 6000 = 3150000

Year of construction =2044 Ashad = 2045 counted

Year of Depreciation =2066 - 2047 =19 years

Depreciation rat =1% * 3150000 * 19 = 598500

Valuation of house after depreciation =59850000 - 598500 = 59251500

Valuation of land =300000

Total value of land = 3*300000 =900000

Total value of land and house = 900000+59251500 = 60151500

Tax liability

Slab	Tax rate	Tax amount
First 1000000	-	-
Next 1000000	-	Rs.300
Next 3000000	0.05%	Rs.1500
Next 5000000	0.25%	Rs.12500
Next 10000000	0.5%	Rs.50000
Next 40151500	1.5%	Rs.602272.5
Total Tax liability		Rs.666572.5

Here, Total valuation of House and Land = Rs.60151500

Total tax liability = Rs.666572.5